*Department of Finance*

# News Release

Immediate release

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## Canada's New Government Provides Real Tax Relief for Canadians

The Honourable Jim Flaherty, Minister of Finance, is pleased to announce that the entire $26-billion tax relief package included in Budget 2006 is now law, thereby guaranteeing its benefits for Canadian families, students, workers and seniors. The final budget bill, Bill C-28, has received Royal Assent.

"Canada's New Government has made significant progress in reducing the tax burden on Canadians, but even with the passage of the budget bill, taxes are still too high," said Minister Flaherty. "We are developing Budget 2007 with an eye towards providing additional tax relief for all Canadians. Our ultimate goal is to make Canada a global leader in this area by achieving a competitive tax advantage."

Beyond the July 1, 2006, 1-percentage-point reduction in the goods and services tax rate, which benefits all Canadians, and the new children's fitness tax credit (effective January 1, 2007) to promote regular exercise, balanced growth and healthy lifestyles among children, Budget 2006 personal income tax measures available in whole or in part for the 2006 taxation year include:

- A permanent reduction in the lowest personal income tax rate to 15.5 per cent from 16 per cent.
- An increase of almost $200 in the basic personal amount (the amount an individual can earn without paying federal personal income tax) to $8,839 for 2006. The amount increased again in 2007 to $8,929.
- The new Canada Employment Credit, which will give every working Canadian a break on work-related costs such as home computers, uniforms and supplies.
- Doubling to $2,000 the amount of eligible pension income that can be used in calculating the pension income credit.
- A new tax credit for public transit passes, which will allow individuals to claim a non-refundable tax credit for the cost of monthly or annual transit passes.
- A new $500 deduction that employees can claim for the cost of tools in excess of $1,000 that they must acquire as a condition of employment.

- An increase to $500 from $200 in the limit on the cost of tools purchased by self-employed Canadians that are eligible for the 100-per-cent capital cost allowance rate.
- A new textbook tax credit for post-secondary study, eligibility rules for which will be the same as those for the education tax credit.
- A full exemption from taxes of post-secondary scholarship and bursary income.
- A reduction in the income tax rate on large corporation dividends received by Canadians, in order to eliminate the double taxation of this income.
- An extension of the $500,000 lifetime capital gains exemption to Canadian fishers, and a tax deferral in certain circumstances where an individual's fishing property is transferred to the individual's child or grandchild.
- An increase to $1,000 from $767 in the maximum amount of the refundable medical expense supplement, indexed after 2006.
- A full exemption from capital gains tax of donations of publicly listed securities to public charities.
- A full exemption from capital gains tax of donations of ecologically sensitive land to approved conservation charities.
- A reintroduction of the mineral exploration tax credit for flow-through share investors for the period from May 2, 2006 until March 31, 2007.

Business income tax measures that are available in whole or in part for the 2006 taxation year include:

- The elimination of the federal capital tax as of January 1, 2006, two years ahead of schedule.
- A new Apprenticeship Job Creation Tax Credit, which will give eligible employers a tax credit equal to 10 per cent of the wages paid to qualifying apprentices in the first two years of their apprenticeship contract, to a maximum credit of $2,000 per apprentice per year.
- An increase to $500 from $200 in the limit on the cost of tools purchased by a business that are eligible for the 100-per-cent capital cost allowance rate.
- An extension of the carry-forward period for losses and investment tax credits to 20 years from 10 years.

- A modification of the minimum tax on financial institutions, which replaces a dual tax rate with a single tax rate of 1.25 per cent on a new, higher taxable capital threshold of $1 billion to better reflect the growth of financial institutions.

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